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GENERAL

1. No imminent hostilities foreseen in Eastern Europe--
US Embassy Paris reports that the chiefs of US missions in Eastern Europe, now meeting in Paris, have agreed that evidence available to them does not suggest the imminence of an outbreak of hostilities in their areas. Although the development of the military capabilities of the Soviet Union and the Satellites is progressing steadily (more rapidly in Hungary), present signs suggest that this effort is designed to build up long-term military strength rather than to support hostilities in the immediate future. The chiefs of mission caution, however, that a change in this situation could occur at any time and, because of the increasing limitations on facilities for observation, might not be immediately detected.

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These US officials believe that the chances that the USSR will not move on its own volition in the immediate future appear greater than the chances it will. They point out, however, that actions of the Western Powers directed toward reducing the gap between Communist military strength and their own could conceivably alter the present attitude of the USSR, as could any inept move on the part of the West. They consider, therefore, that the extent and the manner of the rearmament of West Germany may be of "paramount importance." In this connection, they cite the intense Soviet and Satellite propaganda reaction to the question of German rearmament and observe that this reaction demonstrates "the gravity of that step to the Soviet orbit for the future." Pointing out that this reaction appears to have been more violent in the Satellites than in the USSR, the US chiefs of mission say it is not possible to determine whether these admonitions

State Dept. review completed

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are part of the war of nerves or whether they forecast direct action if West German rearmament gets under way. They estimate that because the USSR undoubtedly realizes the Western Powers are aware of the magnitude of military development in East Germany, the Kremlin probably would not be provoked per se by a comparable effort in West Germany.

2. Yugoslavs make direct arms request of British--A high Foreign Office member has told US Embassy London that Yugoslavia has made a direct arms request through a Yugoslav official (Milovan Djilas) to Prime Minister Attlee. The request was couched in general terms, without any indication of the amount or specific nature of the material envisaged by the Yugoslavs, although Djilas did speak of a desire for "certain arms, machinery, raw materials, and license rights" for the manufacture of arms. He stressed the importance the Yugoslavs attach to unobtrusive handling of this matter. Attlee reportedly gave a noncommittal response to this approach.
3. Yugoslavs expect Soviet action against Germany--Belgian Prime Minister Pholien has told US Ambassador Murphy of a discussion with the Yugoslav Minister in Brussels concerning Western defense. The Yugoslav diplomat informed Pholien that his government now considers the question of Yugoslav participation in Western defense measures to be "premature" but has the matter under study. The Yugoslav said further that his government believes that Soviet pressure will be directed against Germany, because of the rearmament question, rather than against the Balkans.

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EUROPE

4. **UNITED KINGDOM: Disillusion over Chinese Communists**--
US Embassy London reports that members of the Foreign Office are thoroughly discouraged over the failure of the Chinese Communists to take the initiative in negotiations on any single occasion. These British officials point out a "striking parallel" between Chinese negotiations with the UN and their negotiations with the UK for the establishment of diplomatic relations. The British feel it should now be apparent to all that the Chinese Communists: (a) never seriously intended to negotiate a peaceful settlement in the Far East; (b) never sincerely desired to establish diplomatic relations with the UK; and (c) have never made a serious effort to enter the UN but have only made noises to that effect.

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NEAR EAST- AFRICA

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5. **FRENCH MOROCCO:** French account of impasse--According to US Embassy Paris, the French Foreign Office has confirmed the report that General Juin had been "rough" with the Sultan of Morocco and had threatened him with forced abdication if the Sultan was not prepared to make a declaration denouncing the terrorist "Fascist" methods of the Nationalists in Morocco, to remove certain anti-French members in his entourage, and to stop stalling on reforms which the French wish to initiate with a view to democratizing the regime. Explaining that Juin's menacing attitude toward the Sultan was only intended to "bring him to reason," a high Foreign Office official discounted the possibility of the Sultan's removal largely because he feels the Sultan will probably accede. He indicated no action would be taken in the situation until after Juin returns from Washington.

FAR EAST

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6. **INDOCHINA:** Chinese troops reportedly in Laos province--US Legation Saigon reports that Chinese Communist troops have crossed the border into Laos province and that the Chinese have closed their border in the area near Laos, Thailand, and Burma. The Legation does not regard this Chinese "reconnaissance in force" as a threat "in itself"; according to the French, the crossing was made to ascertain the presence of Chinese Nationalist troops in the area, to obtain information regarding French military installations and road conditions, and to determine the attitude of the natives toward the Chinese Communists. The Legation believes that the Chinese action in closing the border in this area may be linked with their preparations in the Chinese province of Yunnan for a show of force against Burma and Thailand. The British and General de Lattre, however, are beginning to fear that a build-up in Yunnan may be a preliminary step to "turning the flank" in Tonkin.

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